

# the insider

**SMEs embrace a modern, flexible approach to retirement**

Amid all the recent discussion about possibly abolishing the default pension age, support for the move comes from a surprising quarter – SMEs!

It is generally felt that the existing arrangement whereby businesses can require employees to retire when they reach the age of 65 favours employers, but it seems SMEs take a different view, adopting a more flexible approach to the issue.

A recent survey by the Federation of Small Businesses found that SMEs value the skills and experience older workers bring to a business. Nearly two thirds employ staff over the age of 50, and a quarter employ staff over 65.

Significantly, almost eighty per cent of SMEs say they do not enforce the default retirement age, believing that retirement should be based on a mutual decision between employee and employer. Interestingly, 90 per cent say they would consider an employee going part time or switching to flexible working before thinking about retiring them.

These findings demonstrate the flexibility of the UK's SME sector in adapting to the changing patterns of retirement and embracing the new realities of flexible working. It is this resilience that has helped many of them weather the recession, and hopefully will stand them in good stead as we move into recovery.

**Don't take risks with business liability**

UK businesses are becoming increasingly concerned about the rising cost of liability insurance, with premiums reportedly rising substantially year on year. Both the volatility of stock markets and the increasing willingness of employees to take their employers to court are said to be contributing to the rise.

But as Britain becomes a more litigious society the threat of litigation extends far beyond employees, and businesses now have to consider a wide range of protection including:

- Employers' liability insurance
- Public liability insurance
- Product liability insurance
- Professional indemnity insurance
- Directors' liability insurance
- Property owners' liability insurance

Though the first of these, employers' liability insurance, is compulsory, the others are largely discretionary, which leaves businesses with hard decisions to make about what cover they might need.

While they do not want to be underinsured if there is a real risk of possible litigation, they also do not want the costs of liability insurance to start running away and cutting into their profitability.

One of the main considerations for insurers when assessing premiums is the extent to which a business has an effective risk management policy in place, and being able to demonstrate that you have might enable you to reduce some premiums – especially if you shop around.

If you would like us to help we would be happy to conduct a review and advise on appropriate risk management procedures.

## Pension fund reminder



A quick reminder that as from 6 April this year the age at which you can draw on a personal retirement fund rises from 50 to 55. Under the present rules

anyone who reaches the age of 50 can have access to their personal or workplace pension fund with the option of taking 25 percent of their retirement savings as a tax-free sum, but on 6 April the age threshold rises to 55.

If you would like advice on this or any other aspect of retirement planning, do give us a call.

## Still time to review your CGT position

There is considerable speculation that a rise in capital gains tax (CGT) is on the cards, with a new rate as high as 25% being suggested in some quarters.

Although this is mere speculation at this stage, it does serve as a timely reminder that there is still a brief window of opportunity to review your CGT position and optimise it before the tax year end.

Since there is little prospect of the CGT situation improving and at least a possibility if not a probability that it will get worse in the next tax year, it might be worth bringing forward transactions you have planned for further down the road so that any gains will be charged at the current rate rather than risk having to pay a higher rate on the same gains later on.

And while you are reviewing your CGT position, do ensure that where appropriate you make full use of both yours and your spouse's exemptions before the tax year end.

As with any tax planning considerations, decisions regarding CGT savings should not be made in isolation but within the overall context of your business goals.

Please contact us if you would like help or advice in this area.

## Don't let poor financial management be your downfall

A recent survey by Business Link found many smaller businesses wanting when it comes to the fundamentals of good financial management.

For example, nearly a third were found to lack effective cash flow management procedures, and almost a half lacked efficient systems to chase unpaid invoices.

Perhaps even more telling were the findings that 46 percent do not know what their break-even point is and 49 per cent do not know their gross profit margin!

It is always important for businesses to be on top of their cashflow and to know what their profit indicators are saying, but in the present economic climate failure to do so could be catastrophic.

In our experience businesses owners fail to put adequate financial management procedures in place either because they are too busy with the day-to-day work of running the business or because they are reluctant to make the modest investment needed.

But this reveals misguided priorities. Too many otherwise promising businesses have gone to the wall because of poor financial management.

It doesn't take much to be on top of your game when it comes to good financial management – but taking your eye of the ball can be fatal.

**If you think you need to improve your financial management, act now; don't wait until it is too late.**



## Time to pay scheme goes into extra time

In his 2009 pre-Budget Report, the Chancellor announced that the time to pay scheme that allows businesses to defer tax payments is to be extended, leaving open the question of how long for.

However, there is evidence that HMRC is starting to take on board criticisms that the scheme is overly generous and allows businesses that are essentially no longer viable to continue trading even as they accumulate unrepayable debts.

Businesses wishing to apply should not be surprised to see stricter vetting in the future, and those who have already agreed an arrangement should be prepared for a rougher ride if they seek an extension of their debt repayment period.

In any event there are many who predict a significant rise in company failures when this scheme eventually comes to an end and businesses that think any of their customers or suppliers might be among them would be wise to remain vigilant.